

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 L-03 FRB-03 OMB-01 ITC-01 SP-02 USIA-06
AGRE-00 AID-05 CIAE-00 COME-00 EB-08 INR-07 IO-13
LAB-04 NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00 CIEP-01
CEA-01 EURE-00 INT-05 /080 W
-----211846Z 130878 /47

P R 211805Z JAN 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC PRIORITY 4956
INFO USMISSION EC BRUSSELS
AMEMBASSY LONDON

C O N F I D E N T I A L SECTION 01 OF 03 BONN 01307

E.O. 11652: GDS
TAGS: UNCTAD, ETRD, EMIN, EC, GW
SUBJECT: EC PAPER ON THE COMMON FUND

REF: (A) EC BRUSSELS 536, (B) BONN 389,
(C) EC BRUSSELS 243

FONOFF SOURCE HAS PASSED US IN CONFIDENCE THE WORKING
PAPER WHICH THE EC COMMISSION PRESENTED FOR THE
JANUARY 17 MEETING ON THE COMMON FUND. AS INDICATED
IN REFTELS, AGREEMENT ON A UNIFIED POSITION WAS NOT
ACHIEVED. THUS THE PAPER ONLY LISTS ALTERNATIVE
PROPOSALS WHICH THE EC NINE WOULD BE WILLING TO
EXAMINE: THAT IS, IT IS AN OPTIONS PAPER. THE RELEVANT
PORTIONS OF THIS PAPER FOLLOW. THIS PAPER HAS BEEN
PASSED TO US ON THE ASSUMPTION THAT SOURCE (FRG) WOULD
NOT RPT NOT BE REVEALED TO OTHER MEMBER STATES.

THE COMMISSION BELIEVES THAT THE COMMUNITY SHOULD NOW
PUT FORWARD IN GROUP B FOR USE AT THE FORTHCOMING
PREPARATORY MEETINGS (JANUARY 24TH-28TH AND FEBRUARY
21-MARCH 1) THE FOLLOWING CONTRIBUTION. THIS CONTRI-
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BUTION SHOULD BUILD UPON THE ELEMENTS OF CONSENSUS WHICH
THE COMMUNITY HAS ACHIEVED SO FAR IN ORDER TO BRING THE
DIFFERING OPTIONS MORE CLEARLY INTO FOCUS.

A BASIC PROBLEM IS THAT EXPLORATION OF THE IDEA OF A
COMMON FUND FOR THE FINANCING OF BUFFER STOCKS MUST BE
BASED UPON EXAMINATION OF THE COMMODITIES FOR WHICH

BUFFER STOCKS MAY NOT ONLY BE CONSIDERED POSSIBLE (FROM THE ECONOMIC AND TECHNICAL POINT OF VIEW OF THEIR STOCKABILITY) BUT ALSO DEEMED TO BE DESIRABLE BY THE PRODUCERS AND CONSUMERS INVOLVED, IN THE LIGHT OF THE OBJECTIVES SET OUT IN RESOLUTION 93)IV) SECTION I. IT IS CLEAR THAT THIS PROCESS CANNOT BE COMPLETED BEFORE THE FORTHCOMING NEGOTIATING CONFERENCE (7TH MARCH-1ST APRIL, 1977); BUT IN THE LIGHT OF THE PREPARATORY MEETINGS, THE COMMUNITY WILL NEVERTHELESS NEED TO DEFINE ITS BASIC POSITION. THE FOLLOWING PARAGRAPHS SET OUT THE MAIN GENERAL FACTORS TO BE WEIGHED.

OUTLINE OF FUNCTIONS TO BE EXAMINED

1. IT IS CLEAR THAT WHEN RECOURSE TO A BUFFER STOCK IS NECESSARY IN ORDER TO ACHIEVE THE OBJECTIVES SET OUT IN AGREEMENTS THE FINANCIAL MEANS PROVIDED IN INDIVIDUAL AGREEMENTS SHOULD BE ADEQUATE. THE VARIOUS POSSIBLE MEANS OF FINANCING SHOULD BE EXAMINED BY THE PRODUCERS AND CONSUMERS IN ORDER TO DETERMINE HOW AND WHETHER - IN THE LIGHT OF PRODUCT CHARACTERISTICS - THEY MIGHT BE USED, EITHER INDIVIDUALLY OR JOINTLY. AMONG THESE MEANS MENTION MAY BE MADE OF:

- DIRECT CONTRIBUTIONS BY PARTICIPATING COUNTRIES;
- LEVIES ON INTERNATIONAL TRADE;
- COMMERCIAL BORROWING, INCLUDING BORROWING BASED

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ON GUARANTEES BY THE PARTICIPATING COUNTRIES;

- CONTRIBUTIONS BY EXISTING OR POSSIBLE NEW INTERNATIONAL FINANCIAL AND MONETARY INSTITUTIONS.

PRODUCERS AND CONSUMERS SHOULD WORK TOGETHER, IN NEGOTIATIONS, TO AGREE ON FINANCING PROVISIONS WHICH, ON THE BASIS OF THE AVAILABLE RANGE OF TECHNIQUES, ENSURE THAT THE AGREEMENTS OPERATE ON A MUTUALLY BENEFICIAL AND EFFECTIVE BASIS, WITH A SHARING OF CONTRIBUTIONS AS AGREED TO BE APPROPRIATE WITHIN COMMODITY AGREEMENTS.

2. CLARIFICATION OF THE COMMODITIES FOR WHICH BUFFER STOCKS ARE FOUND TO BE NECESSARY, OF THE SIZE OF THE STOCKS REQUIRED, OF THE MEANS BY WHICH THEY SHOULD BE FINANCED, AND OF THEIR COST TO THE PARTICIPATING CONSUMERS AND PRODUCERS MAY INDICATE A NEED TO HELP THE POORER DEVELOPING COUNTRIES, EITHER:

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TO SECSTATE WASHDC PRIORITY 4957
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C O N F I D E N T I A L SECTION 02 OF 03 BONN 01307

(A) BY IMPROVING THE IMF'S BUFFER STOCK FINANCING
FACILITY; AND/OR

(B) BY OTHER MEANS OF ALLEVIATING THE BURDENS
ARISING FROM THEIR PARTICIPATION.

3. CLARIFICATION OF BUFFER STOCK REQUIREMENTS (AS IN
PARAGRAPH 2 ABOVE) MAY SIMILARLY INDICATE THAT A CENTRAL
FACILITY COULD USEFULLY CONTRIBUTE TO INDIVIDUALLY
NEGOTIATED STOCKS. IN THIS EVENT THERE ARE SEVERAL
ALTERNATIVE POSSIBILITIES TO BE EXPLORED, INCLUDING A
CLEARING HOUSE ARRANGEMENT, A BANKING FACILITY, AND A
LARGELY CONCESSIONAL FUND.

(I) CLEARING HOUSE SYSTEM. THE POSSIBILITY SHOULD
BE CONSIDERED OF LINKING INDIVIDUAL COMMODITY
FUNDS IN A MUTUALLY SUPPORTING WAY. INTER-
NATIONAL BUFFER STOCKS FOR DIFFERENT
COMMODITIES MAY WELL MOVE THROUGH PHASES OF:
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- FINANCIAL SURPLUS WHEN, OWING TO THE
SALE OF STOCKS OR FOR OTHER REASONS,
THEIR LIQUIDITY IS IN EXCESS OF
IMMEDIATE NEED; AND

- FINANCIAL NEED, WHEN THEY NEED TO BUY
IN STOCKS TO SUPPORT AGREED PRICES
RANGES, IN ACCORDANCE WITH THE PRO-
VISIONS OF INDIVIDUAL COMMODITY
AGREEMENTS.

TO THE EXTENT THAT THIS WERE TO BE THE CASE,
A CLEARING SYSTEM COULD BE OPERATED BETWEEN
FUNDS IN THESE CONTRASTING SITUATIONS, THAT
WOULD (A) PROVIDE A CENTRAL SOURCE FOR
RELENDING TO AGENCIES WHICH IN BUYING SITUATIONS
ARE TEMPORARILY IN NEED OF LIQUIDITY AND THUS
CONTRIBUTE TO ANY BANKING FACILITY (SEE (II)
BELOW); AND (B) PROVIDE AGENCIES IN SURPLUS
WITH A SURE INVESTMENT OUTLET. IN A SYSTEM
OF THIS KIND THE POSSIBILITY OF GUARANTEEING
LOANS AGAINST STOCKS HELD SHOULD BE EXAMINED.

(II) BANKING FACILITY. IN ORDER TO ENSURE THE
AVAILABILITY OF FINANCE FOR THE BUILDING UP
OF BUFFER STOCKS, OR THEIR MAINTENANCE
THROUGH PERIODS OF DIFFICULTY (IN WAYS TO BE
AGREED WITH INDIVIDUAL COMMODITY MANAGERMENTS)
AN ELEMENT OF PRE- OR INTERIM-FINANCING
COULD BE CONCEIVED BY MEANS OF SHORT-TERM
INTEREST-BEARING LOANS TO BE REPAYED FROM
INDIVIDUAL COMMODITY FUNDS ACCORDING TO TERMS
DETERMINED WITH THE COMMODITY MANAGERMENTS
CONCERNED. DISCUSSIONS BETWEEN THE IBRD AND
THE INTERNATIONAL TIN COUNCIL COULD PROVIDE
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USEFUL GUIDANCE IN THIS RESPECT. IN ANY
EVENT THE NATURE OF THE GUARANTEES
REQUIRED, AGAINST STOCKS OR FROM PARTICIPATING
GOVERNMENTS, SHOULD BE CAREFULLY EXAMINED.

(III) FUND WITH CONCESSIONAL MONIES. GOING BEYOND
THE IDEAS SET OUT ABOVE ((I) AND (II)) THE
POSSIBILITY HAS BEEN PUT FORWARD OF A SYSTEM
OF FINANCING THROUGH A FUND CONSISTING PARTLY

OF GRANT AND PARTLY OF LOAN MONIES, TO BE
USED FOR THE PURCHASE OF STOCKS AS AGREED
BETWEEN CONSUMERS AND PRODUCERS. SUCH AN
IDEA RAISES MANY DIFFICULT QUESTIONS,
TOUCHING - INTER ALIA - ON THE UTILISATION
OF SCARCE CONCESSIONAL RESOURCES, THE
BALANCE BETWEEN CONCESSIONAL AND MARKET
MONIES, THE GUARANTEES NECESSARY TO UNDER-
WRITE THE LOAN ELEMENT, A PATTERN OF CONTRI-
BUTIONS UNRELATED TO CONSUMER AND PRODUCER
SHARES IN COMMODITY TRADE, AND OVERALL RELA-
TIONS WITH CONSUMER/PRODUCER COUNCILS OR
MANAGEMENTS.

4. THE STRUCTURE AND ADMINISTRATION OF ANY CENTRAL
FACILITY OR COMMON FUND SHOWN TO BE NECESSARY OR USEFUL
COULD ONLY BE DECIDED IN THE LIGHT OF AGREED FUNCTIONS.
BUT GUIDING PRINCIPLES SHOULD BE CONSIDERED INCLUDING:

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C O N F I D E N T I A L SECTION 03 OF 03 BONN 01307

(I) PROVISIONS OF ADEQUATE ADMINISTRATIVE
ARRANGEMENTS WHILE AVOIDING DUPLICATION WITH
ACTIVITIES CARRIED OUT ELSEWHERE;

(II) LOCATION WITHIN OR CLOSE TO ALLIED EXISTING
INTERNATIONAL ORGANISATIONS;

(III) APPROPRIATE ACCOUNT IN DETERMINING THE
MANAGEMENT STRUCTURE OF EXPORT-IMPORT
INTERESTS AND FINANCIAL CONTRIBUTIONS; AND

(IV) ABSOLUTE RESPECT FOR THE OBLIGATIONS AND
RULES OF INDIVIDUAL COMMODITY AGREEMENTS.

5. CERTAIN BROAD IDEAS CONCERNING "OTHER MEASURES",
I.E. MEASURES OTHER THAN BUFFER STOCKS, HAVE BEEN PUT
FORWARD. ANY EXAMINATION OF THESE IN CONNECTION WITH A
CENTRAL FACILITY OR COMMON FUND SHOULD IN ANY EVENT
TAKE ACCOUNT OF THE FOLLOWING FACTORS:
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- THE MEASURES AGREED BY CONSUMERS AND PRODUCERS
IN NEGOTIATIONS AND THE WISHES OF THESE
PRODUCERS AND CONSUMERS;

- THE CONTRIBUTION OF SUCH MEASURES TO THE MARKET
AND PRICE STABILISATION OF THE COMMODITIES IN
QUESTION;

- THE NEED TO AVOID DUPLICATING THE INTERNATIONAL
AND OTHER MEANS WHICH EXIST FOR PROVIDING
APPROPRIATE DEVELOPMENT ASSISTANCE.

6. IN CERTAIN SPECIAL CASES THE COMMERCIAL ACTIONS
UNDERTAKEN IN THE LIGHT OF ANY EXAMINATION OF "OTHER
MEASURES" IN CONNECTION WITH A CENTRAL FACILITY OR
COMMON FUND, AS SET OUT ABOVE (SEE PRECEDING PARAGRAPH),
MIGHT IN ADDITION BE SUPPORTED BY BROADER DEVELOPMENT
ASSISTANCE, E.G. FOR THE FINANCING OF MEASURES OF
DIVERSIFICATION.

EMBASSY NOTE: EC-9 WORKING GROUP DECIDED TO APPROVE
COMMISSION PAPER, WITH THE EXCEPTION OF PARAGRAPH 3.
THE 9 AGREED TO REPLACE PARAGRAPH 3 WITH THE FOLLOWING
LANGUAGE.

QTE: DURING THE WORK ON THE INTEGRATED PROGRAM IT MAY
PERHAPS BE STATED THAT AN IMPROVEMENT IN THE FINANCING
OF BUFFER STOCKS COULD BE ENVISAGED, MEANING:

(A) AN IMPROVEMENT OF THE EXISTING FINANCING
MECHANISMS IN THE FRAMEWORK OF ARRANGEMENTS BY
PRODUCTS;

(B) A CENTRAL SYSTEM WHICH COULD MAKE A USEFUL
CONTRIBUTION TO FINANCING STOCKS BY PRODUCT.
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IN THE LATTER CASE, SEVERAL FUNCTIONS ARE CONCEIVABLE
WHICH MUST BE ANALYZED AT A TECHNICAL LEVEL BEFORE
DECIDING WHETHER ONE OR SEVERAL OF THEM APPEAR WORTHY
OF BEING RETAINED IN A UNANIMOUSLY ACCEPTABLE SYSTEM

I) CLEARING HOUSE SYSTEM.
II) BANKING FACILITY.
III) FUND WITH CONCESSIONAL MONIES.
IV) POOLING (AS APPROPRIATE, INSERT BETWEEN
I) AND II)) UNQTE.
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Message Attributes

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